



## ANNOUNCEMENT.....#10-06, February 12, 2010

To: All Michigan Mutual Brokers

Re: Appraiser Independence

Topics included in this announcement per HUD Mortgagee Letter 2009-28:

### **Appraiser Independence: Prohibition of mortgage brokers and commission based staff from the appraisal order process (Mortgagee Letter 2009-28)**

- **AMC (Appraisal Management Company) order process including FHA Case Number Assignment and FHA Connection**
- **Appraisal Rebuttal Process**
- **Reminder: Appraisal Portability/Transfer of Appraisals/FHA Case Number Assignments (Mortgagee Letter 2009-29)**
- **Reminder: Appraisal Validity Period (Mortgagee Letter 2009-30)**
- **Reminder: FHA Adoption of the Appraisal Update and/or Completion Report Form 1004D (Mortgagee Letter 2009-51)**

### **Appraiser Independence: Prohibition of mortgage brokers and commission based staff from the appraisal order process – Mortgagee Letter 2009-28**

HUD announced new requirements to ensure and safeguard appraiser independence. The announcement contains new requirements pertaining to entities that are eligible to order appraisals for FHA insured mortgages. “FHA-approved lenders (such as MMI) are now prohibited from accepting appraisals prepared by FHA Roster appraisers who are selected, retained or compensated in any manner by a mortgage broker (or any member of a lender’s staff who is compensated on a commission basis tied to the successful completion of a loan)”. **Effective with FHA Case Numbers assigned on or after February 15, 2010, mortgage brokers must use the following procedures when ordering an appraisal assignment.**

- **AMC (Appraisal Management Company) order process including FHA Case Number Assignment and FHA Connection.** MMI will require that all FHA appraisals are ordered through one of our designated Appraisal Management Company’s (AMC’s). MMI will provide links on our website to order FHA appraisals. (Please note it is MMI policy that conventional appraisals may only be ordered through StreetLinks).
  1. Obtain FHA Case Number from the FHA Connection. FHA Connection will allow the order of FHA Case Numbers without the assignment of appraisers. Provide

the FHA Case Number with your appraisal order. MMI will input the appraiser's information in the FHA Connection, at the time of the appraisal logging (this is done during the underwriting process).

2. Begin at the MMI website home page ([www.michiganmutual.com](http://www.michiganmutual.com)). **Do not log-in.** Click the FHA Appraisal Order link and select an AMC from the list.
3. Place FHA Appraisal order in the name of Michigan Mutual, Inc. as required by HUD/FHA (enter all pertinent data including payment information). All appraisals must be paid, with a credit card, at the time order is placed.
4. Upload any required documents such as the purchase agreement.
5. The AMC will schedule the appointment with the borrower or realtor as appropriate and complete the appraisal report.
6. Upon completion of the appraisal report the AMC will contact the broker via email notification. It is the broker's responsibility to obtain the original report from the AMC and submit the original appraisal to MMI at the time of underwriting.
7. MMI will require certification, from the AMC, (to be included with the appraisal) that the appraisal was ordered in accordance with HUD/FHA Appraisal Independence Requirements.

Please keep in mind the borrower's right to receive a copy of their appraisal (under ECOA the borrower has the right to request a copy of their appraisal report). If requested by the borrower it is the broker's responsibility to provide a copy of the appraisal to the borrower.

- **Appraisal Rebuttal Process.**

1. Loan in processing stage: If the appraised value is such that processing of the loan cannot continue, it is the broker's responsibility to rebut the appraisal through the AMC's website. Ensure you provide supporting documentation such as comparables, recent listings, etc. **Under no circumstances are broker's allowed to directly contact the appraiser.**
2. Loan in underwriting stage: If an underwriter is requesting additional comparables (as well as any clarifications and/or corrections), from the appraiser, as a requirement of loan approval then the MMI underwriter will contact the appropriate AMC. The MMI D.E. Underwriter who has responsibility for the quality of the appraisal report is allowed to request clarifications and discuss with the appraiser components of the appraisal that influence its quality.

- **Reminder Appraisal Portability:** HUD Mortgagee Letter 2009-29 addresses appraisal transfers and change of client name in appraisal reports. In transactions where a borrower has switched brokers/lenders, the first lender must, at the borrower's request, transfer the case to the second broker/lender, including the appraisal report. FHA does not require that the client name (lender name) or the borrower name on the appraisal be changed when it is transferred to another lender. In accordance with the Uniform Standard of Professional Appraisal Practice (USPAP), the broker/lender **is not** permitted to request that the appraiser change the name of the client within the appraisal report. Michigan Mutual will accept the appraisal report in the name of the original Direct Endorsed (D.E.) Lender and/or borrower with a letter of assignment from the Direct Endorsed Lender. It is the broker's responsibility to obtain and provide the initial appraisal completed for the transaction. It is MMI's policy that in limited circumstances where a second appraisal is completed, it will not be considered without prior review of the initial appraisal by MMI underwriting staff.

NOTE: The cost of the second appraisal may not be charged to the borrower according to HUD/FHA guidelines. In addition **NO** changes have been made to: Second appraisal policies tied to FHA Property Flipping requirements; or to existing FHA appraisal practices or reporting requirements for properties in a declining market (including requirements for the Market Conditions Addendum).

- **Reminder Appraisal Validity Period:** HUD Mortgagee Letter 2009-30 announced changes to the appraisal validity period for FHA-insured mortgages **effective for all case numbers assigned on or after January 1, 2010**. FHA appraisals will be valid for **120 days** for all property types: existing, proposed construction and under construction (formerly 6 months for existing property that is complete and 12 months for proposed and under construction). See below FHA Adoption of Appraisal Update Form regarding appraisal extensions.

As a reminder, a new appraisal is required for each refinance transaction requiring an appraisal. Example: An appraisal used for the purchase of a property cannot be used again for a subsequent refinance, even if 120 days has not passed.

- **Reminder FHA Adoption of the Appraisal Update and/or Completion Report Form 1004D:** HUD Mortgagee Letter 2009-51 announced effective with all new case number assignments on or after **February 15, 2010** (mortgagee letter initially indicated effective with all new case number assignments on or after January 1, 2010 however this was delayed) FHA is adopting the dual purpose form, Appraisal Update and/or Completion Report, Form 1004D.

When the Appraisal Update and/or Completion Report **May** be used:

- To report the completion of a repair(s) and/or the satisfaction of requirements and conditions noted in the original appraisal report for existing construction properties only. This form will be used in lieu of form HUD-92051 (Compliance Inspection Report). This form **may not be used for proposed/new construction** per the Mortgagee Letter (HUD-92051 – Compliance Inspection Report must be used for proposed/new construction).
- To extend the validity period of an existing appraisal, **that is due to expire**, an additional 120 days from the effective date of the original appraisal report (for a maximum of 240 days).
- To extend the validity period of an existing appraisal for proposed or new construction, that is incomplete, an additional 120 days from the effective date of the original appraisal report (for a maximum of 240 days).

When the Appraisal Update and/or Completion Report **May Not** be used:

- The property has declined in value.
- The building improvements that contribute value to the property cannot be observed from the street or public way.
- The exterior inspection of the property reveals deficiencies or other significant changes that did not exist as of the effective date of the appraisal report being updated.

Link to Mortgagee Letters 2009-28, 2009-29, 2009-30 and 2009-51:  
<http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/2009ml.cfm>

Link to Mortgagee Letter 2009-28 Frequently Asked Questions:  
[www.hud.gov/offices/hsg/sfh/appr/faqs\\_ML09-28.doc](http://www.hud.gov/offices/hsg/sfh/appr/faqs_ML09-28.doc)

**Please contact your account executive if you have any questions.**

**We appreciate and value your business!**